



ANALYSIS

Financing sustainable development: Country Undertakings and Rights for Environmental Sustainability CURES

R. Quentin Grafton^{a,*}, Frank Jotzo^{b,c}, Merrilyn Wasson^d

^aAsia Pacific School of Economics and Government J. G. Crawford Building (Bldg. 13), The Australian National University, Canberra, ACT 0200, Australia

^bCentre for Resource and Environmental Studies, Hancock Building, The Australian National University, Canberra, ACT 0200, Australia

^cCooperative Research Centre for Greenhouse Accounting, Canberra, Australia

^dRMAP, Research School of Pacific and Asian Studies, Coombs Building, The Australian National University, Canberra, ACT 0200, Australia

Received 12 March 2003; received in revised form 8 April 2004; accepted 15 April 2004

Available online 30 September 2004

Abstract

We propose a global mechanism to finance sustainable development (SD) that offers a number of advantages over the current Global Environmental Facility (GEF). The mechanism would be multinational, provide incentives for rich and poor countries to promote SD, incorporate the principle of common, but differentiated, responsibilities and link incentives and funding for SD to structural benchmarks and performance targets. It would operate as a large fund into which rich countries would pay based on their level of population, per capita income and *change* in a measure of environmental sustainability. Receipts from the funds, called Country Undertakings and Rights for Environmental Sustainability (CURES), would be made to poor countries based on their population, per capita income and *absolute* level of environmental sustainability. This approach differentiates payments and receipts on the basis of income, while rewarding improvements in environmental performance in rich countries, and making greater payments to countries with greater environmental problems. To promote flexibility, recipient countries would be able to trade, bank or borrow their assigned CURES, provided that the trade resulted in a verifiable improvement in environmental sustainability in the purchasing country. A reformed GEF that adopted the desirable features of CURES, if widely adopted and funded at a sufficiently high level, would offer a significant boost to global SD and would greatly assist poor countries to address the twin challenges of poverty and environmental degradation.

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Keywords: Sustainable development; Intergovernmental financial transfers; Adjusted net savings; GEF

* Corresponding author. Tel.: +61 2 6125 6558; fax: +61 2 6125 5570.

E-mail addresses: quentin.grafton@anu.edu.au
(R. Quentin Grafton), jotzo@cres.anu.edu.au (F. Jotzo),
merrilyn@coombs.anu.edu.au (M. Wasson).

“The special situation and needs of developing countries, particularly the least developed and those most environmentally vulnerable, shall be given special priority. International actions in the field of environment and development should also address the

interests and needs of all countries. Principle 6, Rio Declaration on Environment and Development at The United Nations Conference on Environment and Development (United Nations 12 August 1992)”.

1. Introduction

Sustainable development (SD) became a widely accepted policy objective following the release of the report of the [World Commission on Environment and Development \[WCED\] \(1987\)](#) in 1987. Its focus on the need for a collective resolution of global environmental problems led to the 1992 United Nations Conference on Environment and Development (UNCED). Three important developments that came from UNCED include The United Nations Convention to Combat Desertification (UNCD), The United Nations Convention on Biological Diversity (UNCBD) and The United Nations Framework Convention on Climate Change (UNFCCC). Under all three agreements is the notion of ‘common but differentiated responsibilities’, that all countries bear a responsibility to address environmental challenges, but rich countries acknowledge a special responsibility in terms of supplying technologies and financial resources in the pursuit of SD. This principle was reaffirmed at the World Summit on Sustainable Development (WSSD) held in 2002, which also called for common efforts to be made to promote the integration of economic development, social development and environmental protection as mutually reinforcing components of sustainable development ([United Nations, 2002](#)).

One of the mechanisms for achieving common, but differentiated, responsibilities is the Global Environmental Facility (GEF). The GEF is funded by rich nations and makes transfers to poor countries to achieve specific environmental outcomes. As of February 2002, the GEF had authorized payments to poor countries totaling over US\$2 billion ([World Bank, 2002a](#)) to cover the incremental costs associated with combating climate change, loss of biodiversity, degradation of international waters, stratospheric ozone depletion and persistent organic pollutants ([World Bank, 2002b](#)). Despite these payments and the existence of United Nations conventions on the global environment, fully integrated and effective

global policies to improve overall environmental quality, especially in poor countries, have yet to fully materialize.

The principal difficulties in improving environmental quality include the linking of the different causes and solutions to environmental degradation and the financing of projects that promote SD and capacity development, especially in poor countries. To help overcome these challenges, we propose an innovative global mechanism called Country Undertakings and Rights for Environmental Sustainability (CURES) to promote SD in both rich and poor countries, while recognizing common, but differentiated, responsibilities. In Section 2, we present criteria that any global mechanism should fulfill to achieve the stated objectives of the UNCED and the WSSD. In Section 3, we illustrate how CURES could be implemented with a numerical example. To show how the funds transferred under CURES might be utilized, we describe a potential application in Indonesia in Section 4. Section 5 lists the advantages of CURES relative to the GEF, and argues that the GEF should be reformed to incorporate the desirable features of CURES. Concluding remarks are offered in Section 6.

2. Global mechanisms for sustainable development

Attempts have been made to address global environmental problems multilaterally through a variety of international conventions. A difficulty with such an approach is that it may be possible for a country to meet its international treaty obligations in terms of biodiversity, desertification, climate change and transboundary pollution, but for its environmental quality to decline. This may arise because of negative spillovers from other countries, or because of other causes of environmental degradation not specified under existing conventions.

The issue is not that multilateral conventions are inappropriate, but that they are insufficient. In particular, there is insufficient funding under existing conventions and inadequate incentives for both donor and recipient countries to effectively address national, regional and global environmental problems. If the plan of action of the WSSD is to be realized, new mechanisms that complement existing conventions are required. Some of these mechanisms are currently

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